



Your Guide to Doing Bi-National Business



Chula Vista, California / Baja California, Mexico

Why a Bi-National Business in Chula Vista and Baja California?

- Chula Vista, San Diego County's second largest city is located only seven miles and minutes from Baja California's largest city, Tijuana. Tijuana alone has a population of over 1.5 million and Chula Vista is home to 225,000 people.
- Transporting goods and people is convenient: Chula Vista and Baja California businesses have easy access to three international airports, four large scale capacity sea ports, and major highways on both sides of the border.
- Many corporate headquarters and regional offices are already conveniently located in Chula Vista to support operations in Tijuana and other cities in Baja California.
- Chula Vista has land available for build-to-suit operations to support bi-national businesses of all sizes. In addition, the city has quality office and light industrial centers already established within a few miles of the Mexican border, with more planned and under construction.
- Chula Vista has a full range of housing options to meet the needs of employees and employers and is known for its relaxed life style in a beautiful setting.
- Mexico's free-trade agreements, particularly the North American Free Trade Agreement (NAFTA), offer great financial benefit to U.S. and other foreign businesses manufacturing in Mexico.
- U.S. companies establishing operations on both sides of the border benefit from Mexico's lower labor costs and well-trained labor force.
- Over 1,000 manufacturing companies employing more than 300,000 workers on both sides of the U.S./Baja California border attest to the level of competitiveness of the region.
- Public and private organizations in the U.S. and Mexico offer assistance of all types to bi-national businesses-from locating facilities to interpreting cultural customs. The Community Development Department of Chula Vista is one of the most active and well-connected agencies in this effort.

So, it makes good business sense to "Go Bi-National" starting in Chula Vista. . .

See the Future from Here.

Developing Your U. S. Operation in Chula Vista

The Economic Development Division of Chula Vista's Community Development Department is anxious to assist new businesses to assure their successful location in Chula Vista. Starting a new business requires a major commitment of time, energy, and capital. Depending on the nature of the business, zoning, planning, and building permits may be needed in addition to the required business license. A dedicated project manager from the economic development team will be assigned to serve as a liaison throughout the process.

Expanding into Mexico

In order for a foreign company or individual to engage in business in Mexico, it must either establish a branch office in Mexico or establish a Mexican company. The requirements for doing so are not complicated and are not unlike setting up a company in the U.S. For those who are not familiar with Mexican governmental agencies, however, hiring a professional who has experience with Mexican agencies and knowledge of the procedures is recommended. There are many companies on the U. S. side of the border that specialize in forming companies in Mexico. Chula Vista's Economic Development Division can provide recommendations.

Companies and branch offices in Mexico will need a *Registro Federal del Causante* (RFC), which is the Mexican taxpayer registry number. After obtaining an RFC, the company will be issued a *Cédula*-the RFC identification card which is the official OK to begin business transactions.

Manufacturing Opportunities in Mexico

The Mexican government has established what is known as a *maquila* program. The program allows foreign companies to set up Mexican assembly or production companies, *maquiladoras*, and temporarily import into Mexico, duty-free, raw materials, machinery, components, equipment, and packaging which will be used to produce and re-export the resulting products. The maquiladora program and the labor cost differential in Mexico prove very advantageous for foreign manufacturers.

Maquila operations often function under a twin-plant scheme. A portion of the process takes place somewhere close to the border on the U.S. side and another part of the process takes place in Mexico. Hitachi, Bose, Toyota, Mattel and Sony operate twin plants and are some of the largest among more than 800 maquiladoras now operating in Baja California--the majority in Tijuana.

Setting up a maquiladora requires processing necessary permits and other legal transactions with Mexican governmental agencies. Professionals specializing in maquiladora set up will systematically work through each process with or for companies. Mexico's *Secretaría de Comercio y Fomento Industrial (SECOFI)*, the Secretary of Commerce and Industrial Development, is responsible for regulating the maquila program.

Foreign companies hesitant to establish a privately owned maquiladora can choose to operate in Mexico through a Shelter Operator. The Shelter Operator handles all administrative and legal requirements for the foreign company-it can locate and provide the manufacturing facility, supply the labor and provide on-going administrative services for the foreign company. The foreign company provides the components, inputs, machinery, and know-how for the business--the Shelter Operator does the rest.

Taking Advantage of the World's Largest Free Trade Area

NAFTA (North American Free Trade Agreement) created the world's largest free trade area and provides tariff benefits on U.S. goods that are exported to Mexico and Canada. NAFTA created a free trade area, not a common market. Customs administrations still exist and goods entering Mexico, Canada, or the United States must comply with each country's regulations. NAFTA has simplified those regulations.

Those interested in exporting to Mexico from the U.S and taking advantage of NAFTA benefits should refer to the "harmonized tariff schedule number" and Rules of Origin for the export product. That information, as well as other details about NAFTA, is available at the U.S. Government Export website or from a licensed Customs Broker.

An added benefit of a bi-national operation is that Mexico has generous trade agreements with many countries in addition to the U. S. and Canada. Businesses operating in Mexico that will be importing and/or exporting with other countries will want to explore the world-wide trade agreements Mexico has established.

"By establishing our own maquiladora in the office/warehouse facility we've had for years in Tijuana, we are able to lower our production costs considerably."

-Wolf Bielas, President/CEO
RSI ID Technologies

"Locating in Chula Vista near our bi-national customers assured that DNP could respond quickly to customer requests and shortened our transportation time and costs."

-Masanori Sakoda, President
DNP Electronics America, LLC

Customs and Crossing the Border

Bi-national businesses interface with both U. S. and Mexican Customs officials and Border/Immigration officials. Customs regulations deal with importing and exporting goods while border/immigration regulations deal with people.

In the United States, U.S. Customs and Border Protection is managed under the Office of Homeland Security. In Mexico, the *Secretaría de Hacienda y Crédito Público* manages Customs issues (*Aduana*) while the *Secretaría de Gobernación* handles border/immigration regulations.

CROSSING GOODS/ CUSTOM BROKERS

Businesses transporting goods across the border in either direction must hire U.S. and Mexican Customs Brokers. The U.S. Customs Broker performs the necessary business on behalf of the U.S. company with the U.S. Customs Service while the Mexican Customs Broker performs the necessary business on behalf of the Mexican company with the Mexican Customs officials. Customs Brokers, who are licensed by their respective governments, coordinate all import and export documentation for their clients.

Transporting imported and exported goods is best handled through professional trucking companies. Carriers coordinate directly with the Customs Brokers in order to have all required documentation with them at the time of import or export.

CROSSING PEOPLE

The border ports of entry between the United States and Tijuana are the busiest in the world with over 155,000 northbound crossings daily! Congestion and delays at the border are not uncommon but those who understand the requirements and avoid peak crossing times are able to navigate the crossings fairly quickly and easily.

U.S. citizens traveling to Mexico should access "Know Before You Go" information from the U.S. Border Protection website to inform themselves about returning to the United States from a visit or business trip to Mexico.

The Mexican government requires that all travelers have proof of citizenship and photo identification for entry into Mexico. As of January 8, 2007, U.S. citizens traveling to Mexico by air must have a valid U.S. passport and by June 1, 2009, a valid passport will be required for those traveling by land and sea. Prior to those dates, it is advisable to enter Mexico with a valid passport, a birth certificate and photo identification, or a naturalization certificate.

Business travelers to Mexico who will be doing business in the country for an excess of 30 days must request an appropriate visa from Mexican officials. That visa is most commonly an FM-3, a business visa for multiple entries and the preferred document for those engaged in bi-national business.

Business people and others who cross frequently from Mexico into the United States by car, benefit from securing a SENTRI pass issued by U. S. Customs and Border Protection. SENTRI (Secure Electronic Network for Travelers Rapid Inspection) allows pre-enrolled participants to use dedicated border crossing lanes that are open daily during specified hours.

Registered vehicles are issued transponders and individuals are issued identification cards that are electronically read as they approach the dedicated SENTRI lanes. SENTRI participants save considerable time when crossing the border into the United States. A similar program, FAST, exists for commercial vehicles and transporters.

"Living in Chula Vista and working in our Tijuana plants is very convenient for those of us who cross the border every day."

-Keita Imai, Vice-President,
HIMEX, Hitachi Consumer Products
de Mexico, S.A. de C.V.



Helpful Resources for Bi-National Businesses

Numerous public and private organizations and businesses offer information and assistance for those interested in establishing a bi-national business.

US-BASED RESOURCES

City of Chula Vista, Economic Development Division:
Assists in establishing companies within the city and locating services and business contacts in Mexico.
www.chulavistaca.gov / (619) 691-5047

Chula Vista Chamber of Commerce:
www.chulavistachamber.org

San Diego Regional Economic Development Corporation:
www.sandiegobusiness.org

NAFTA, North American Free Trade Agreement:
www.mac.doc.gov/nafta

SANDAG, San Diego Association of Governments:
www.sandag.org

San Diego World Trade Center:
www.sdwtc.org

SENTRI, Secure Electronic Network for Travelers Rapid Inspection:
www.cbp.gov/xp/cgov/travel/frequent_traveler/sentri.xml

Small Business Development and International Trade Center:
www.sbditc.org

South County Economic Development Council:
www.sandiegosouth.com

U.S. Customs and Border Protection:
www.cbp.gov

U. S Department of Commerce Commercial Service:
www.trade.gov/td/tic
www.buyusa.gov/sandiego

MEXICO-BASED RESOURCES

Tijuana Economic Development Corporation:
Assists in attracting and retaining industrial investment in Tijuana.
www.tijuana-edc.com

Maquiladora Industry Association of Tijuana, *Asociación de la Industria Maquiladora y de la Exportación de Tijuana*:
www.aim.org.mx

Mexican National Bank for Foreign Trade, *Bancomext*:
Find information on the process and requirements for setting up a company in Mexico.
www.bancomext.com

National Chamber of the Transformation Industry, *CANACINTRA*:
Tijuana branch provides support to manufacturers establishing in the area.
www.canacintra.net

Mexican Consulate in San Diego:
www.consulmexsd.org

